BC hydro

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Northstar Project
(Customer Information System Replacement)

Major Capital Project Plan

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OBJECTIVES OF THE PROJECT

PROJECT OBJECTIVE

The project under consideration in this Major Capital Project Plan is the Northstar project, i.e. Customer Information System (CIS) replacement project. The project includes the acquisition, installation and implementation of SAP Customer Care Services (CCS) system. The new CIS provides flexible customer-centric metering, billing, payment and service capabilities, which are mission critical to BC Hydro's operation.

BACKGROUND AND STATUS

The CIS is the key enabler of BC Hydro's customer service capabilities. However, our ability to maintain the current customer satisfaction levels and to meet continually changing and increasing needs of our customers is at risk due to the aging CIS. The current system, implemented in 1972, is based on obsolete technology. It is increasingly difficult to find support resources capable of maintaining the system.

The Northstar project includes the acquisition, installation and implementation of SAP Customer Care Services (CCS) system, in partnership with SAP (the vendor) and Accenture (the selected system integrator).

To date, Northstar has successfully completed the Blueprint Confirmation phase and begun the Core Solution phase. Go-live is scheduled for December 29, 2003.

COSTS AND BENEFITS OF THE PROJECT

COSTS

BC Hydro's cost for this project is $62.8 million.

Interim funding of $25.2 million was previously approved by BC Hydro's Board of Directors to cover the project cost until October 31, 2002. On October 23, 2002, BC Hydro's Board approved additional funding of $37.6 million, consisting of $27.3 million in capital and $10.3 million in operating and maintenance costs, required to complete this project by March 31, 2004.

BENEFITS

The Northstar project is expected to deliver significant benefits to BC Hydro through cost avoidance, process efficiencies and strategic benefits related to the provision of flexible customer-centric metering, billing, payment and service capabilities. Key benefits include the following:

- Process efficiencies resulting in significant benefits in terms of reduced cycle times and automated high-volume transactions;
- Cost avoidance related to the considerable costs of enhancing and maintaining aging legacy applications;
- Enhanced functionalities, capable of multi-product, multi-company, multi-jurisdictional customer service offerings and expanded customer relationship management (CRM).

BC Hydro has entered into a Memorandum of Understanding (MOU) to establish a joint service venture with Accenture. A direct implication to the project is that the new CIS system will be transferred to the new entity. A Supplemental CIS Agreement is currently under negotiation by both parties.

PROJECT RISKS

BC Hydro is exposed to the normal project risks of slippage in the project schedule and non-delivery of pre-defined project scopes. Potential schedule delays are mitigated by Accenture's proven rigorous process in project management. 20% of the project budget is allocated to change management activities.

The risk of non-delivery of pre-defined project scopes has been mitigated by Accenture's certification of project acceptance and completion criteria, effective project governance and comprehensive Quality Assurance processes.

Project costs are not a risk for BCHydro because Accenture will assume budgetary risks for the project with a price cap of $62.8 million.